



# Pork Merchandiser's Profit Maximizer

## Be inspired<sup>SM</sup>

### - Foodservice Edition -

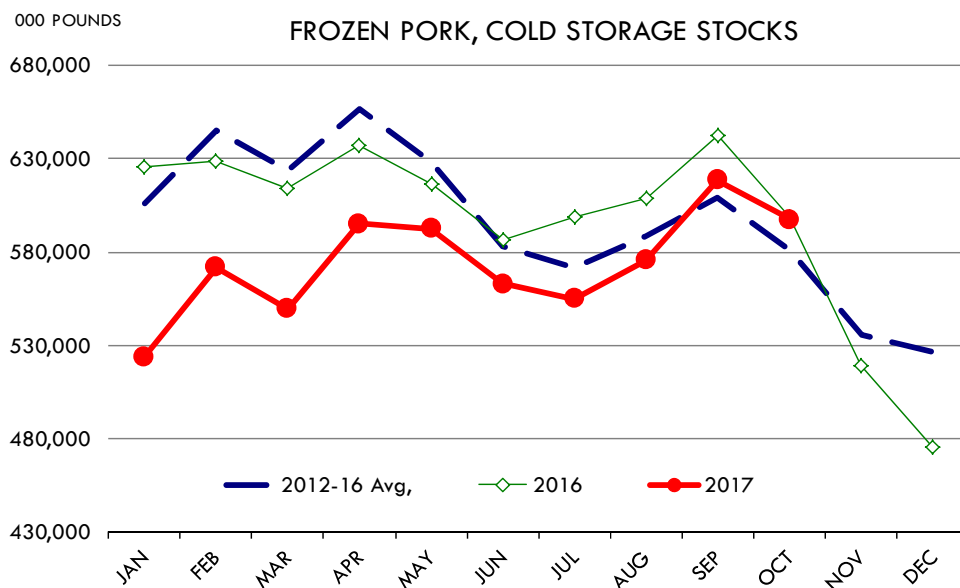
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

November 27, 2017

#### **1. Pork cold storage inventories at year ago levels despite larger production in the last three months.**

**The overall inventory of pork products in cold storage at the end of October was 597.3 million pounds, 0.3% lower than last year and 2.8% higher than the five year average.** October pork

inventories declined 3.4% from September levels, which compares to a 4.7% average drawdown for the last five years. The fact that cold storage numbers have for the most part followed the normal drawdown lead us to view the results of this report as neutral for prices in the short to medium term. Ham inventories normally peak at the end of September and then decline in Q4 to support seasonal demand during Thanksgiving and



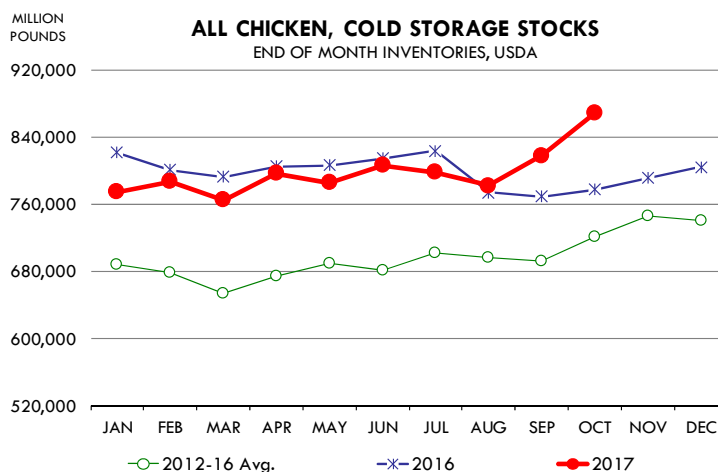
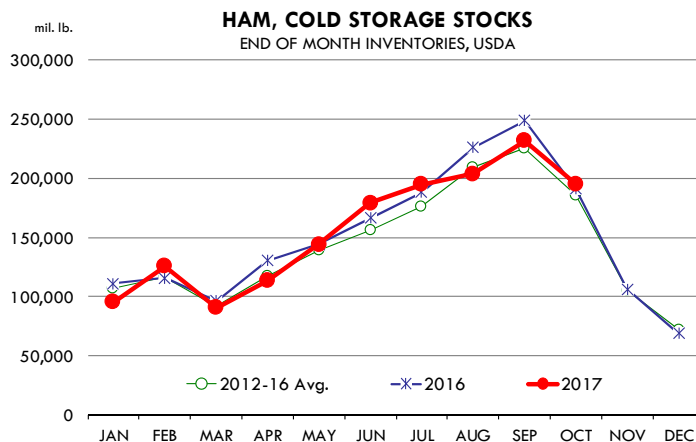
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Christmas. **Ham inventories at the end of October were 195.5 million pounds, 2.1% higher than a year ago and 5.2% higher than the five year average.**

The stock drawdown in October was 16% compared to an average 18% for the last five years. Pork belly inventories jumped 54% from September levels, an earlier than normal increase in stocks and a very different trajectory than a year ago. Low belly prices in October encouraged packers and processors to put more bellies in the freezer. Normally freezer stocks increase in November and December when slaughter peaks and demand is insufficient to clear the market. However, it appears that the combination of renewed retailer bacon features and the need to hedge Q1 needs has quickly caught up with the belly market. Pork belly prices which were trading in the mid-90s in early October now are priced as high as \$145. Boneless loin inventories rose 17% in October compared to an average 4% increase in the past five years. We view this as negative for loin prices in December and early January.

The combined inventory of beef, pork, chicken and turkey at the end of October was 2.430 billion pounds, 5.2% higher than a year ago and 11.5% higher than the five year average. Cold storage inventories have increased at a faster pace than normal in the last three months, in part because of an increase in the supply of chicken that is ending up in storage rather than going into domestic and export channels. Seasonally cold storage stocks peak in October and then some of that inventory is drawn down to fill holiday needs. It will be critical to see how that drawdown progresses this year in order to gauge pipeline supplies and price pressures (either up or down) in Q1.

**The inventory of boneless beef at the end of October was 462.3 million pounds, 6.5% less than a year ago but still as much as 12.2% higher than the five year average.** Boneless beef stocks increased by 1.7% in October vs. September in line with the level of inventory build that we have seen in recent years. Last



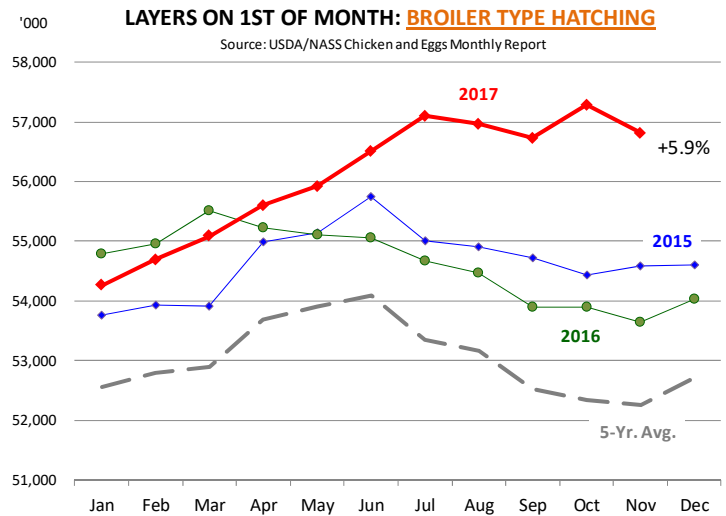
year boneless beef stocks rose sharply into year-end, pressuring prices late in Q4 and in early Q1. With more beef production and larger exports it is normal for beef stocks to be higher than the five year average. The reason we see this report as neutral has to do with the fact that the inventory build so far is not very different than the five year average.

**Total chicken inventories were 868.3 million pounds, 11.7% higher than a year ago and 20.4% higher than the five year average.** Normally chicken inventories increase in Q4 but the increase this year has outpaced the five year average. Turkey breast market has been well supplied for much of this year and this has kept breast meat prices in check. Due to the weak pricing more turkey breast was put in storage than in previous year, with the breast meat inventory at the end of May up as much as 33% from a year ago and 55% higher than the five

year average. However, it appears that the burdensome turkey breast situation is quickly coming to an end. Inventories of turkey breast meat at the end of October were 71 million pounds, down 23.2% from the previous month. Current breast meat stocks are still up 5.9% from last year and 42% from the five year average. Aggressive production cutbacks and slowly improving demand should bolster turkey prices next year.

**2. Chicken production expected to expand in the next six months, adding to the available supply of protein in the marketplace**

Excellent margins in 2017 and low feed costs continue to support expansion in the chicken sector. Lack of any significant Avian Influenza (AI) losses this past year has further supported expansion. As a result, the current broiler hatching flock is up 6% compared to a year ago. Per capita broiler availability in 2017 is estimated to be up 1.2% from the previous year. And at 105 pounds per person it has also surpassed the 100 pound mark established in the mid 2000. After adjusting for inflation prices of



most broiler parts, with the exception of wings, are down compared to 15 years ago and price inflation is expected to be limited in 2018 and 2019 as industry continues to push more product through both domestic and export channels. As with pork, export demand remains a critical factor.

**Upcoming holidays:**

**2017** Hanukkah (Tuesday December 12, starts at sundown); Christmas Day (Monday December 25); Boxing Day [Canada] (Tuesday December 26).

**PORK**

**Live hogs. For the week ending November 25 slaughter was 2.163 million head, up 0.5% from a year ago. In the last two weeks hog slaughter is down 0.9% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 56.81 /cwt. on Friday were down \$1.4/cwt since Wed. November 15. Prices are up 15.2 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$0.8801, up about 2.8 cents since the Wed. November 15 quote and up about 11 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.1722 for the strap on loins, up 0.6 cent since Wed. November 15 and up about 2 cent from the year ago levels. Strap off loins at \$1.3535 are down about 2.8 cent since Wed. November 15 but up about 8 cent compared to the year ago quote.

**Boneless sirloins** at \$1.1728 are up 4 cents from the Wed. November 15 quote and up about 4.8 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.0984, down 6 cent from the Wed. November 15 quote but up about 6.3 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.0091, down 0.1 cent since Wed. November 15. Prices are up 16 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.3873, up about 0.5 cent since Wed. November 15 and up about 21 cents from year ago levels.

Rib inventories on October 31 were 93.6 million pounds, down 5.4% percent from a year ago.

**Bone-in Hams.**

17/20 hams (page 9) price was \$0.6614/lb., down 12 cents since Wed. November 15 and down about 5 cent from a year ago.

20/23 hams finished the week at 64.68 cents, down about 9 cents since Wed. November 15 and down about 6 cent from the year ago level.

23/27 hams finished the week at 60.27 , down about 5 cents from the Wed. November 15 quote and down about 11 cents from the year ago level.

Total ham cold storage stocks on October 31 at 195.5 million pounds were up 2.1% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 25.75 cent, down about 0.8 cent since Wed. November 15 but up about 4 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 63.19 cents, down about 0.6 cents since the Wed. November 15 quote but up about 19 cents from the year ago level.

Freezer stocks of all trimmings on October 31 were 33.2 million pounds, up 4.5% percent from the year ago levels.

**72 CL Picnic Meat** “FOB Basis”. Picnics prices should continue to command premiums over the price of 72CL pork trim in the spring.

**POULTRY**

**Georgia Dock Broilers.** The Georgia dock price no longer is being quoted.

The National Whole Bird price was quoted at 84.41 on Friday, November 18, up about 3 cents from a year ago.

Broiler slaughter for the week ending November 18 was 164.04 million head, up 1.19% from a year ago. For the last two weeks slaughter was up 2.4% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.1512, up 2 cents since Wed. November 15 and still up about 17 cents from year ago levels.

**Leg Quarters.** This item continues to be driven by export demand. Last week leg quarter prices were down about 0.8 cents vs. two weeks ago but at 40.01 cents per pound prices were up 6 cents from a year ago.

**Wings.** Prices at \$1.9879 are up about 13 cents from year ago levels.

## Turkeys

**Hens** finished last week at \$0.9400, down since Wed. November 15 and down about 34 cents from the year ago price.

**Toms** finished last week at \$0.9400, down since Wed. November 15 and down about 32 cent from the year ago price.

Total turkey supplies in the freezer on October 31 were up 14.3% from a year ago at 457.5 million pounds. Whole birds were up 29.2% from a year ago with an inventory of 256.8 million pounds.

Turkey slaughter was 5.2590 million head for the week ending November 11, down -5.45% from a year ago. For the last two weeks slaughter has been down 4.1%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. November 15. Prices are down about 37 cents vs. year ago levels.

## BEEF

**NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.**

**Choice 112A Heavy Bnls. Lip On Rib Eyes** at \$8.5719 (weighted average quote) finished last week up about 24 cents since the Wed. November 15 quote and up about 18 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.9827 (weighted average quote) finished last week down about 8 cents since the Wed. November 15 quote but up about 59 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.5892 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1107 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0956 per pound.

**Choice regular #168 insides** finished last week quoted at \$2.0563 up about 5 cents since Wed. November 15 and up about 26 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.1396 down about 21 cents since Wed. November 15 and up about 23 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.2086 up about 5 cents since Wed. November 15 and up about 31 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.2249 (wt. avg.) down about 24 cents from the Wed. November 15 quote. Prices are up 85 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$2.9607 (wt. avg.) up about 12 cents

since Wed. November 15 and up about 91 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.0709 (wt. avg.) up about 7 cents since Wed. November 15 and up about 85 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$5.0790 (wt. avg.) up about 3 cents since Wed. November 15 and up about 128 cents from year ago values.

## **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.3848 down about 10 cents since Wed. November 15 but up about 28 cents from year ago levels.

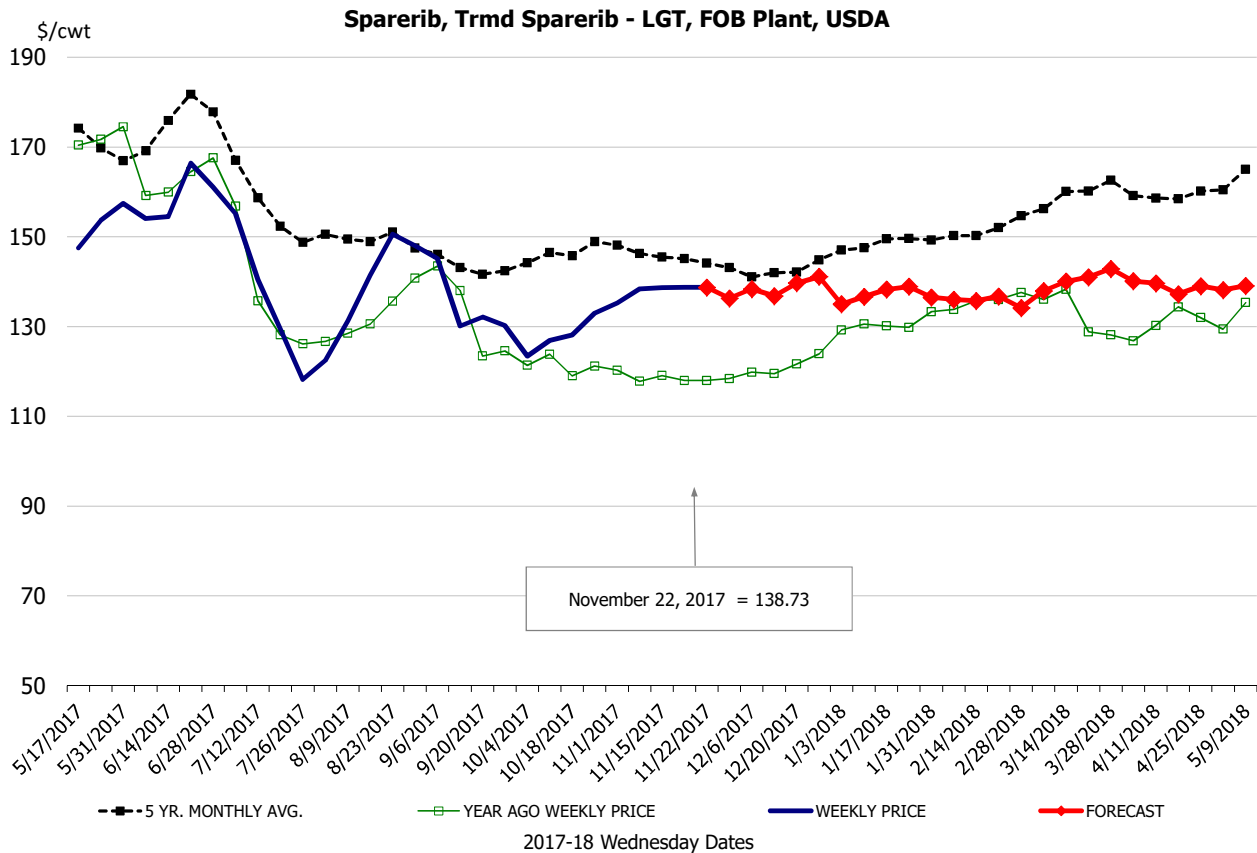
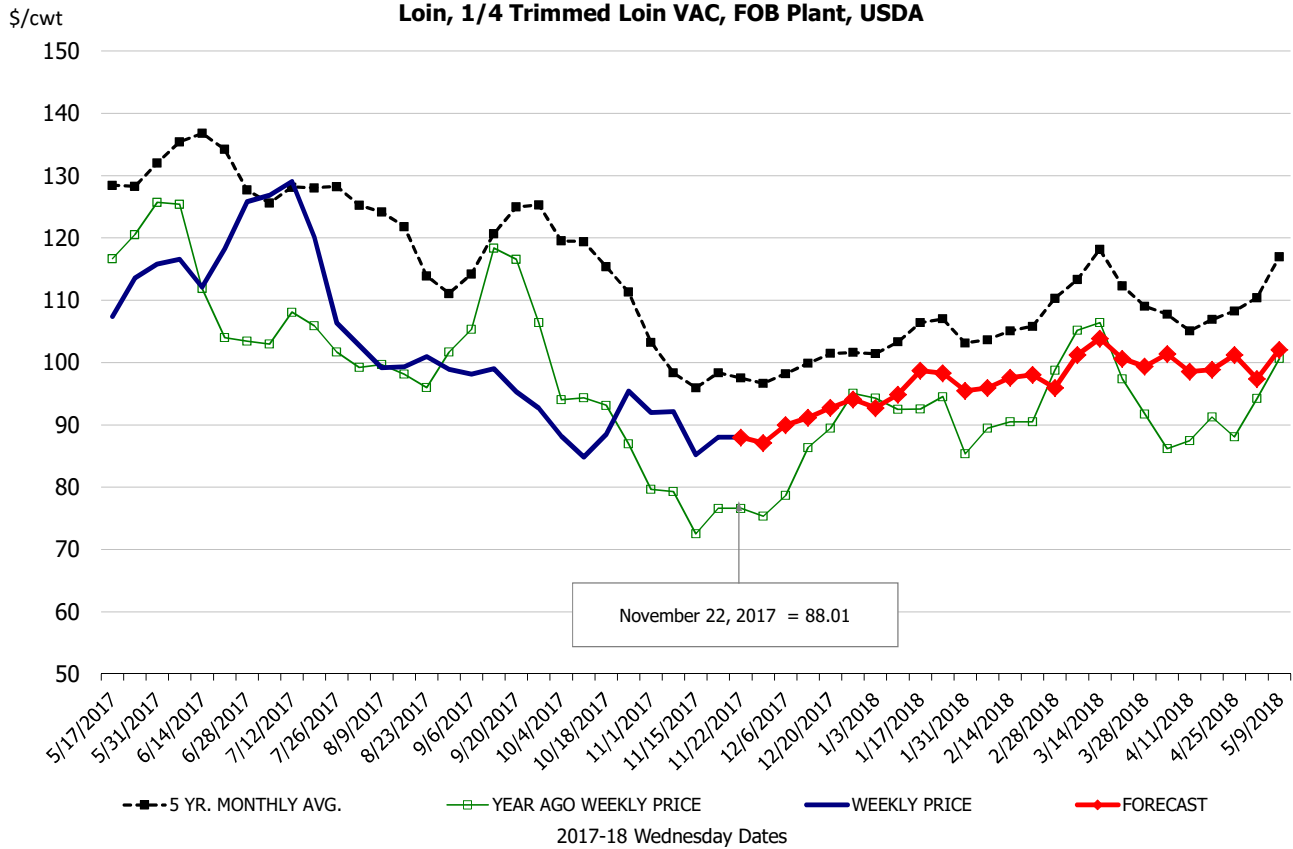
**81CL Coarse Ground** product finished last week at \$1.6402 down about 13 cent since Wed. November 15 but up about 13 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.1220 (wt. avg.) up about 0.90 cent since Wed. November 15 and up 18 cents compared to the year ago price quote.

**50 CL Beef Trim** prices finished last week at \$0.6732, down about 3 cent since Wed. November 15 but up 25 cent compared to the year ago level.

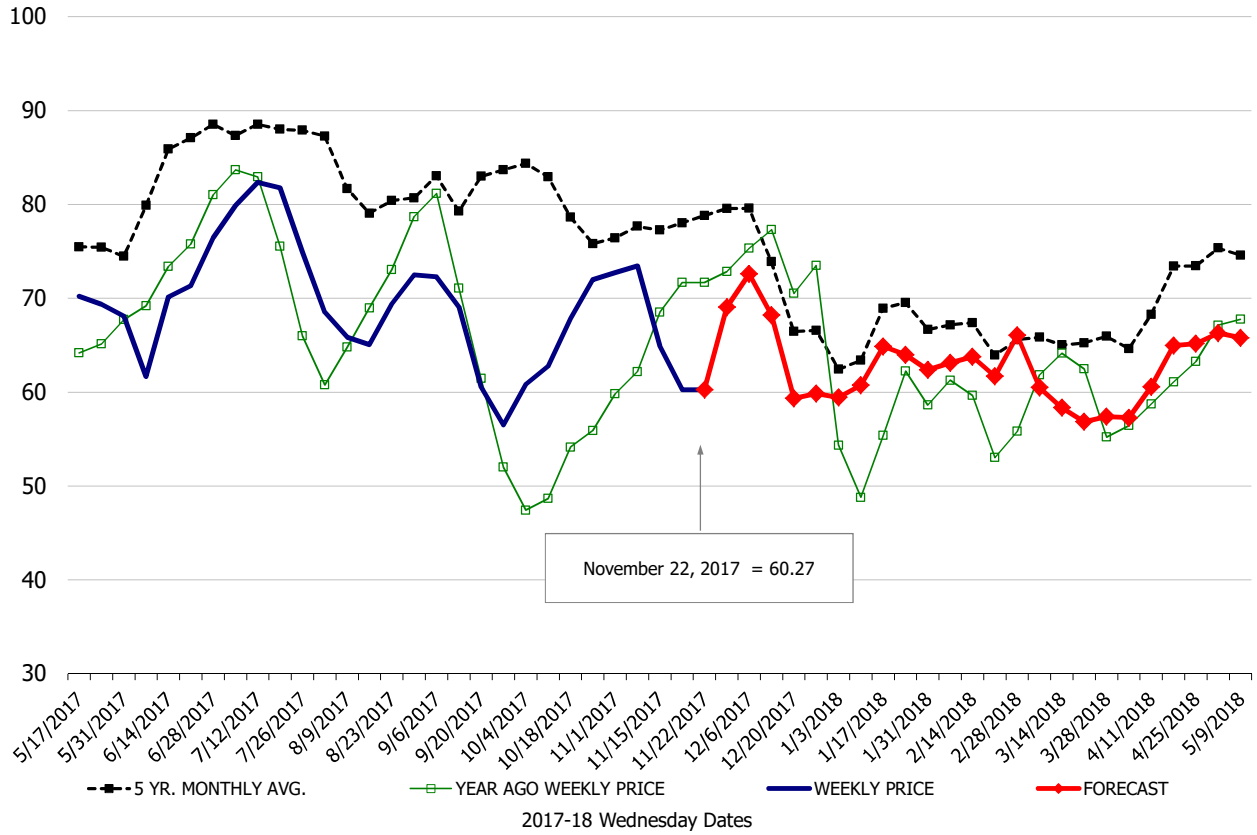
## Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	May	Jun	Jul	Aug	Sep	Oct	11/15/2017	11/22/2017	12/6/2017	Nov	Dec	Jan	Feb	Mar	Apr
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.04	1.18	1.19	1.01	0.95	0.89	0.85	0.88	0.90	0.89	0.92	0.96	0.97	1.01	1.00
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.10	1.23	1.26	1.07	1.01	0.93	0.86	0.89	0.93	0.90	0.95	1.02	1.05	1.08	1.07
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.44	1.51	1.53	1.44	1.45	1.37	1.38	1.35	1.38	1.36	1.42	1.45	1.44	1.47	1.44
Loin, Tenderloin, FOB Plant, USDA	2.07	2.24	2.39	2.44	2.32	2.18	2.16	2.10	2.02	2.09	2.06	2.21	2.28	2.23	2.19
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.05	1.14	1.08	0.99	0.93	0.87	0.88	0.95	0.92	1.01	0.95	0.91	0.89	0.96	1.00
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.42	1.58	1.30	1.36	1.35	1.29	1.39	1.39	1.38	1.38	1.39	1.37	1.36	1.40	1.39
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.26	2.25	2.27	2.16	2.08	2.13	1.97	2.15	2.13	2.20	2.15	2.20	2.20	2.23	2.23
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.45	1.61	1.39	1.43	1.33	1.29	1.36	1.35	1.35	1.35	1.35	1.32	1.32	1.33	1.33
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.32	2.40	2.42	2.29	2.20	2.07	2.12	2.05	2.03	2.04	2.04	2.06	2.23	2.32	2.35
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.70	0.80	0.73	0.63	0.69	0.78	0.66	0.79	0.74	0.69	0.64	0.65	0.62	0.64
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.69	0.70	0.79	0.71	0.66	0.69	0.74	0.65	0.77	0.71	0.68	0.64	0.64	0.62	0.64
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.68	0.67	0.79	0.67	0.64	0.66	0.65	0.60	0.73	0.67	0.65	0.62	0.63	0.59	0.62
Belly Cutout, FOB Plant, USDA	1.29	1.71	2.09	1.76	1.04	0.95	1.30	1.39	1.41	1.39	1.40	1.40	1.40	1.43	1.42
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.61	2.19	2.56	1.93	1.35	1.17	1.61	1.79	1.76	1.79	1.72	1.72	1.72	1.76	1.75
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.54	2.06	2.55	2.11	1.25	1.17	1.60	1.70	1.78	1.78	1.71	1.71	1.71	1.75	1.74
Trim, 42% Trim Combo, FOB Plant, USDA	0.39	0.62	0.69	0.50	0.33	0.26	0.27	0.26	0.30	0.27	0.25	0.31	0.32	0.36	0.38
Trim, 72% Trim Combo, FOB Plant, USDA	0.80	0.94	0.91	0.66	0.60	0.62	0.64	0.63	0.65	0.63	0.60	0.62	0.63	0.62	0.67
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.69	0.83	0.85	0.74	0.54	0.59	0.58	0.57	0.62	0.59	0.60	0.62	0.70	0.72	0.74
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.08	1.09	1.04	0.93	0.89	0.85	0.86	0.84	0.88	0.85	0.89	0.92	0.92	0.97	1.00
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.53	1.64	1.58	1.46	1.32	1.15	1.13	1.15	1.15	1.14	1.15	1.21	1.23	1.29	1.42
N.E. BROILER BREAST LINE RUN, USDA	1.20	1.25	1.25	1.17	0.99	0.82	0.83	0.83	0.88	0.83	0.88	0.99	1.03	1.04	1.09
N.E. BROILER LEG QUARTERS, USDA	0.41	0.41	0.43	0.44	0.42	0.40	0.41	0.40	0.41	0.40	0.40	0.41	0.43	0.44	0.45
N.E. BROILER WINGS, USDA, WT.AVG.	1.99	2.06	2.06	2.10	2.13	2.02	1.75	1.99	2.10	2.00	2.10	2.15	2.05	2.00	1.94
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.07	1.07	1.07	1.07	1.07	1.07	1.00	0.94	0.96	1.01	0.94	0.94	0.94	0.96	0.99
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.53	1.53	1.53	1.53	1.53	1.55	1.55	1.55	1.55	1.55	1.53	1.53	1.53	1.60	1.70
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.36	1.30	1.19	1.13	1.06	1.10	1.22	1.19	1.23	1.19	1.21	1.25	1.28	1.29	1.29
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	9.10	9.39	7.02	6.74	6.33	7.46	8.33	8.57	9.75	8.60	8.65	6.62	6.97	7.52	7.62
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.32	2.50	2.32	2.11	2.04	2.16	2.35	2.14	2.15	2.15	2.24	2.39	2.37	2.40	2.32
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.10	2.10	2.04	2.05	2.12	2.08	2.16	2.21	2.13	2.19	2.19	2.35	2.33	2.16	2.06
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	8.08	7.62	5.79	4.94	5.05	5.10	5.47	5.22	5.15	5.23	5.32	5.45	5.56	6.34	6.74
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.65	3.67	3.78	3.34	2.72	2.54	3.00	3.07	2.99	3.07	2.96	3.09	3.21	3.56	3.71
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	6.84	6.25	4.45	4.00	3.89	4.12	5.05	5.08	4.60	5.07	4.75	4.96	4.99	5.27	5.70
COARSE GROUND 73%, USDA	1.93	1.98	1.76	1.57	1.49	1.35	1.49	1.38	1.37	1.49	1.51	1.91	1.72	1.71	1.69
COARSE GROUND 81%, USDA	2.14	2.22	1.95	1.79	1.75	1.65	1.77	1.64	1.73	1.64	1.82	2.21	1.98	1.94	1.89
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.23	2.30	2.33	2.32	2.24	2.16	2.11	2.12	2.17	2.13	2.20	2.23	2.34	2.40	2.42
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.77	1.32	0.93	0.69	0.45	0.56	0.70	0.67	0.73	0.68	0.72	0.74	0.74	0.94	0.88

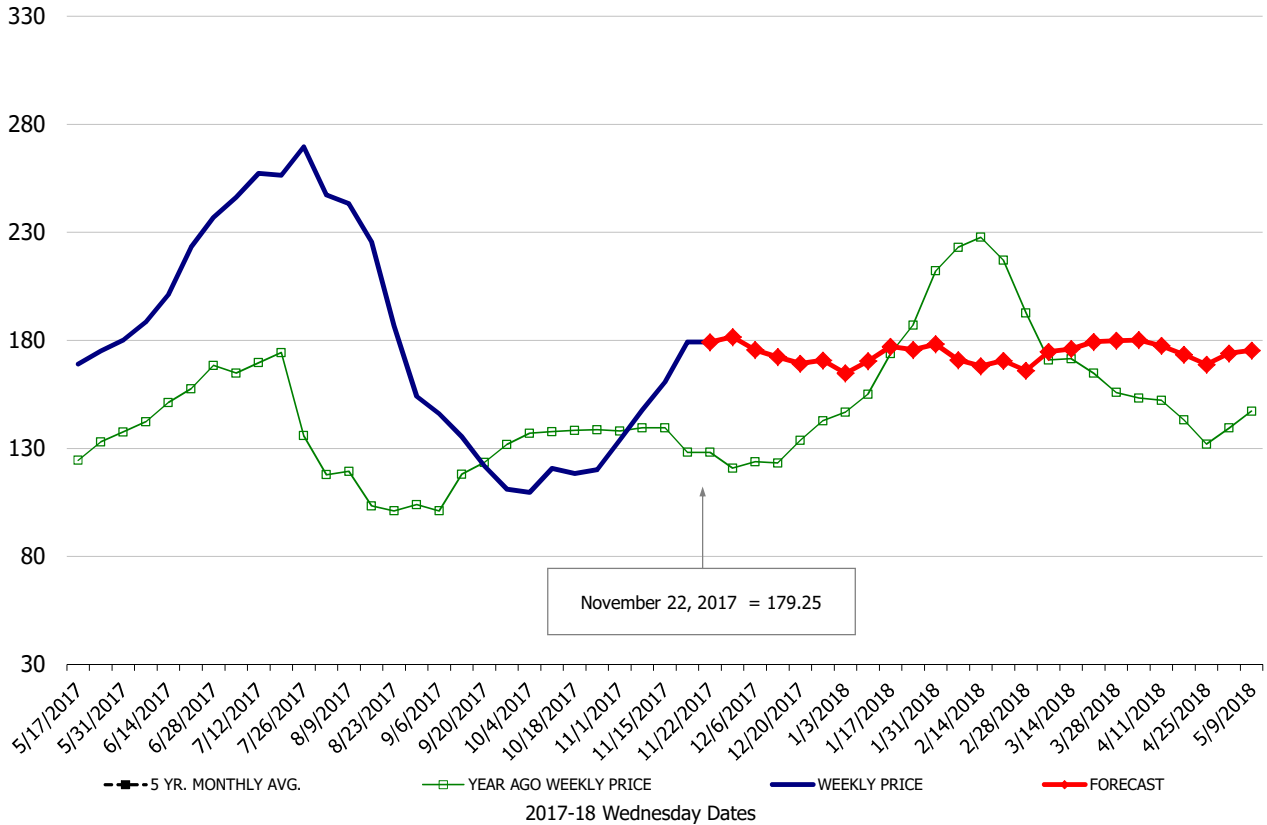




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

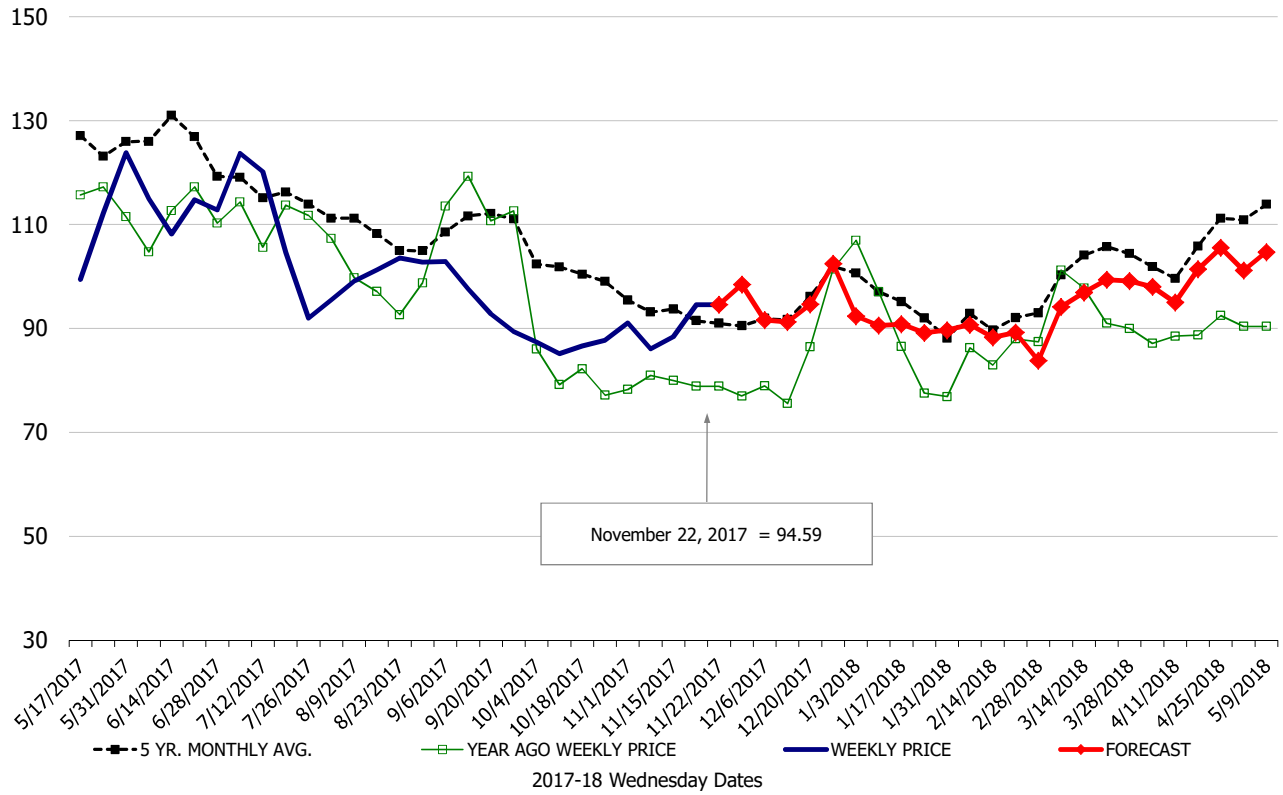


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



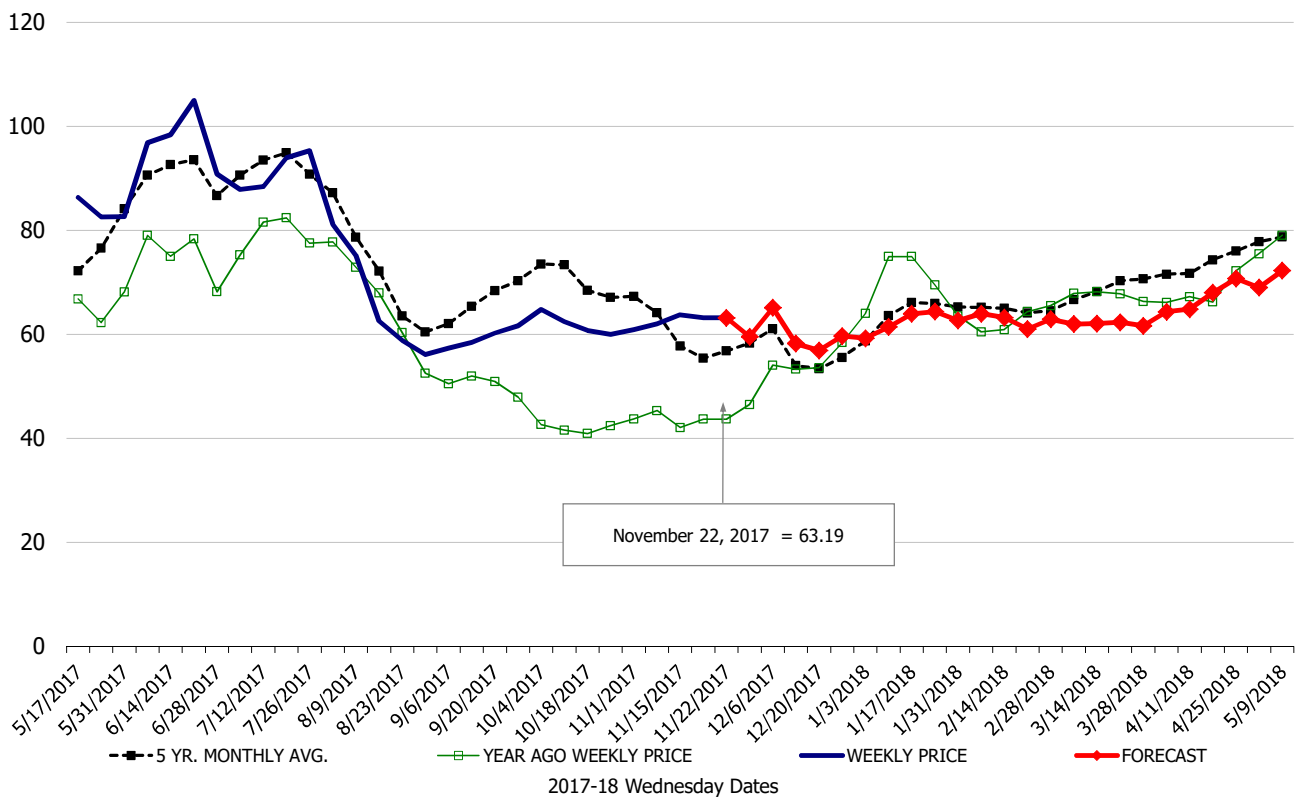
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA



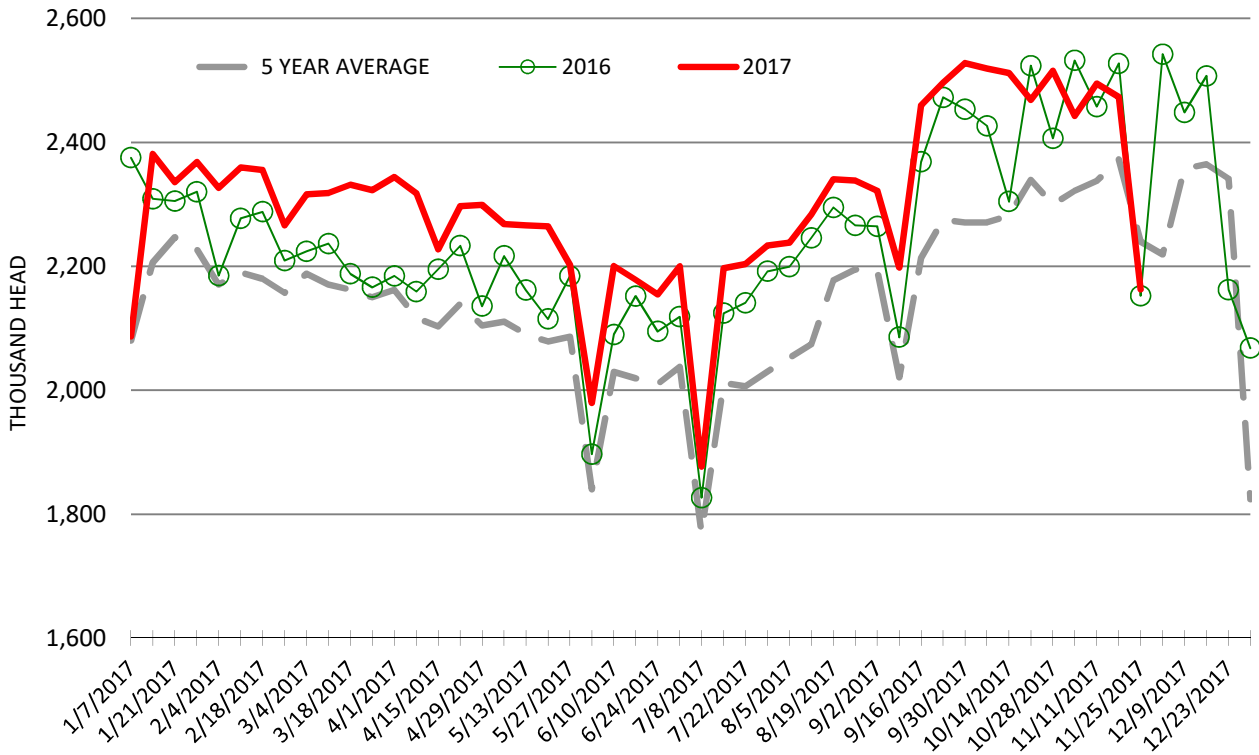
\$/cwt

### Trim, 72% Trim Combo, FOB Plant, USDA



# ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



# ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head

